



RESEARCH ARTICLE

# Financial Performance Analysis of Local Government Financial Management in Jambi City During 2011–2024

Semintariah Ginting<sup>1\*</sup> | Zulgani<sup>2</sup> | Rahma Nurjanah<sup>3</sup>

<sup>1,2,3</sup> Local Finance Program, Faculty of Economics and Business, Universitas Jambi, Indonesia.

## Correspondence

<sup>1</sup> Local Finance Program, Faculty of Economics and Business, Universitas Jambi, Indonesia.  
Email: semintariah4@gmail.com.

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## Abstract

This study aims to analyze the development of regional financial performance and evaluate the financial performance of the Jambi City Government based on four key ratios: the regional financial independence ratio, the degree of fiscal decentralization ratio, the effectiveness ratio of locally generated revenue (PAD), and the regional financial efficiency ratio during the 2011–2024 period. The research employs a descriptive quantitative approach using secondary data sourced from BPKAD the Jambi City Regional Budget (APBD) realization reports. The results show that the development of Jambi City's regional finances experienced nominal growth, with PAD increasing by 6.23 percent and regional expenditures by 6.24 percent. However, in terms of quality, the region's financial capacity remains in the low category due to its high dependence on central government transfer funds. In terms of financial performance, the effectiveness ratio of PAD is categorized as very effective in most years. However, the financial efficiency ratio remains in the less efficient category. Meanwhile, the financial independence ratio and the fiscal decentralization ratio indicate that PAD's contribution to total revenue is still limited, reflecting the low level of fiscal independence in Jambi City. This research suggests the need for policies aimed at strengthening regional fiscal capacity, optimizing PAD collection, and improving the efficiency of regional spending.

## Keywords

Regional Finance; Locally Generated Revenue (PAD); Fiscal Independence; Effectiveness; Efficiency; Fiscal Decentralization.

## 1 | INTRODUCTION

Regional autonomy in Indonesia was introduced to provide local governments with greater authority to manage their own governmental affairs and financial resources in accordance with regional priorities. Through decentralization, local governments are expected to improve public service quality, enhance accountability, promote regional economic development, and strengthen fiscal sustainability. The implementation of regional autonomy also requires local governments to optimize financial management practices to ensure that public resources are allocated efficiently and effectively. Therefore, evaluating regional financial performance has become an important aspect of assessing the success of fiscal decentralization. Regional financial management is implemented through the Regional Revenue and Expenditure Budget (APBD), which serves as the primary instrument for financing government administration, development programs, and public services. APBD reflects the fiscal capacity of local governments in mobilizing regional revenues and allocating expenditures to achieve development objectives. According to Law Number 23 of 2014 concerning Regional Government and Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, local governments are encouraged to increase fiscal independence by optimizing Locally Generated Revenue (PAD) while reducing excessive dependence on transfer funds from the central government. The financial performance of local governments can be evaluated using financial ratio analysis. These ratios provide comprehensive information regarding regional financial growth, fiscal independence, fiscal decentralization, revenue effectiveness, and expenditure efficiency. Financial ratio analysis has therefore become one of the most widely applied approaches in assessing regional financial performance because it enables governments to identify strengths and weaknesses in financial management and supports evidence-based policy formulation. Jambi City is one of the major municipalities in Sumatra that has experienced continuous economic and fiscal development over the past decade. As the administrative and economic center of Jambi Province, the city has increasing responsibilities in financing public services and regional development. Consequently, improving financial management has become an essential requirement to ensure sustainable regional development.

Table 1. Presents the development of the Regional Revenue and Expenditure Budget (APBD) of Jambi City during the 2020–2024 Period

No	Year	Revenue	Expenditure	Financing
1	2020	1.621,83	1.667,72	211,18
2	2021	1.652,95	1.740,36	247,09
3	2022	1.668,66	1.622,85	142,09
4	2023	1.662,74	1.720,26	109,56
5	2024	1.821,42	1.832,22	47,05

Source: Directorate General of Financial Balance (DJPK), 2025

Although the APBD of Jambi City has shown an increasing trend during the observation period, several fiscal challenges remain. First, the contribution of Locally Generated Revenue (PAD) is still relatively limited compared to transfer revenues received from the central government. This condition indicates that the fiscal capacity of Jambi City continues to depend substantially on intergovernmental transfers to finance regional development and public service delivery. As a result, the level of regional financial independence has not yet fully reflected the objectives of fiscal decentralization. Second, achieving PAD targets does not automatically indicate sound financial management. While PAD realization has consistently met or exceeded budget targets in several fiscal years, regional expenditures have also continued to increase. This situation raises concerns regarding expenditure efficiency because higher revenue realization should ideally be accompanied by more productive and efficient budget allocation. Excessive expenditure growth may reduce fiscal flexibility and limit the government's ability to finance strategic development programs in the future. These conditions demonstrate that evaluating regional financial performance should not be limited to measuring revenue growth alone but should also examine the government's fiscal independence, degree of fiscal decentralization, effectiveness of PAD realization, and efficiency of expenditure management. Therefore, Jambi City provides an appropriate case for assessing how regional financial management has evolved under the implementation of fiscal decentralization. Several previous studies have examined the financial performance of local governments in Indonesia using financial ratio analysis. Zakiah (2022) found that regional financial performance contributes significantly to improving fiscal autonomy through better financial management and increased locally generated revenue. Hummel and Kusumasari (2025) reported that although many Indonesian local governments have experienced improvements in financial performance, considerable disparities remain in fiscal independence due to continued dependence on central government transfers. Other studies have also shown that effective revenue collection does not always result in efficient expenditure management, indicating the importance of evaluating multiple financial indicators simultaneously. However, previous studies have generally focused on relatively short observation periods, typically ranging from three to five years, or have concentrated on provinces and regencies with different fiscal characteristics. Consequently, long-term evidence

regarding the financial performance of Jambi City remains limited. In addition, most previous studies evaluated only one or two financial indicators, resulting in a less comprehensive assessment of regional financial performance. This study addresses these gaps by analyzing the financial performance of the Jambi City Government over a fourteen-year period (2011–2024). The analysis employs five financial indicators, namely regional financial growth, regional financial independence ratio, fiscal decentralization degree ratio, PAD effectiveness ratio, and regional financial efficiency ratio. The use of a longer observation period together with multiple financial performance indicators is expected to provide a more comprehensive evaluation of regional fiscal capacity and contribute to the development of regional financial management literature in Indonesia. Financial ratio analysis has become one of the most widely used approaches for evaluating local government financial performance because it provides comprehensive information regarding fiscal independence, financial sustainability, effectiveness, and efficiency in regional financial management. Recent studies also emphasize that evaluating financial performance through ratio analysis supports evidence-based policy making under fiscal decentralization (Hummel & Kusumasari, 2026).

Previous studies generally examined local government financial performance using relatively short observation periods or limited financial indicators. Therefore, a comprehensive analysis covering a longer observation period and multiple financial ratios is still needed (Purba *et al.*, 2024; Khulaidah *et al.*, 2025). Although numerous studies have analyzed local government financial performance, most have focused on relatively short observation periods or specific financial indicators. Therefore, a comprehensive evaluation covering the 2011–2024 period is expected to provide a broader understanding of the financial performance of the Jambi City Government under fiscal decentralization policies (Hummel & Kusumasari, 2026). Therefore, this study aims to analyze the financial performance of the Jambi City Government during the period 2011–2024 based on regional financial growth, regional financial independence, fiscal decentralization, PAD effectiveness, and regional financial efficiency ratios. The findings are expected to provide useful information for local governments in formulating policies to strengthen fiscal independence, improve expenditure efficiency, and support sustainable regional development.

## 2 | BACKGROUND THEORY

The concept of fiscal decentralization has gained significant attention in recent decades as governments worldwide seek to enhance local governance and improve public service delivery. Fiscal decentralization refers to the transfer of financial responsibilities and revenue-generating powers from central to local governments, allowing them to make decisions that are more aligned with local needs and priorities. This shift is grounded in the belief that local authorities are better positioned to understand and address the specific challenges and opportunities within their jurisdictions. The theoretical framework surrounding fiscal decentralization emphasizes the importance of local autonomy in resource allocation, which can lead to increased efficiency and effectiveness in public spending. Moreover, decentralization is expected to foster greater accountability and transparency, as local governments are more directly answerable to their constituents. The success of fiscal decentralization, however, is contingent upon the establishment of robust institutional frameworks, effective local governance, and adequate capacity-building measures to empower local authorities. As such, understanding the dynamics of fiscal decentralization is crucial for assessing its impact on regional financial performance and the overall development of local governments, particularly in contexts like Indonesia, where regional autonomy has been a pivotal aspect of governance reform since the late 1990s.

## 3 | METHOD

This study employs a quantitative descriptive approach using secondary data covering the period from 2011 to 2024. The data consist of the realization of the Regional Revenue and Expenditure Budget (APBD) and the realization of Regional Original Revenue (PAD) of Jambi City. The data were obtained from official publications and reports issued by relevant institutions, namely the Directorate General of Fiscal Balance and the Regional Financial and Asset Management Agency (BPKAD) of Jambi City. The data were analyzed using descriptive quantitative methods to assess regional financial performance based on APBD data. The analysis was conducted using several financial performance indicators, including the Fiscal Decentralization Degree Ratio, Regional Financial Independence Ratio, Regional Original Revenue (PAD) Effectiveness Ratio, and Efficiency Ratio, as proposed by Jumati *et al.* (2023). These ratios were used to evaluate the fiscal capacity, financial independence, effectiveness, and efficiency of regional financial management in Jambi City during the study period.

### 3.1 Analysis Tools

#### 1) Regional Financial Growth

Regional financial growth was used to measure the annual growth of regional financial realization. The formula is as follows (Mardiasmo, 2009). Regional financial performance reflects the ability of local governments to generate revenue, allocate expenditures efficiently, and maintain fiscal sustainability under decentralization policies (Hummel & Kusumasari, 2026; Zamzami & Rakhman, 2023).

$$\text{Growth} = \frac{RF_t - RF_{t-1}}{RF_{t-1}} \times 100\%$$

Where:

Growth = Regional financial growth (%)

$RF_t$  = Regional financial realization (APBD) in year t

$RF_{t-1}$  = Regional financial realization (APBD) in the previous year

#### 2) Regional Financial Independence Ratio (RKKD)

The Regional Financial Independence Ratio measures the ability of local governments to finance governmental activities using their own-source revenue (PAD) without relying on transfer funds (Halim, 2004). Regional financial independence reflects the capability of local governments to finance their expenditures using locally generated revenue rather than relying on transfer funds from higher levels of government (Zakiah, 2022).

$$RKKD = \frac{PAD_t}{TPT_t} \times 100\%$$

Where:

RKKD : Regional Financial Independence Ratio

PADt : Original Regional Revenue year t

TPTt : Total Transfer Revenue year t

Table 2. Regional Financial Independence Criteria

Financial Ability	Independence (%)	Relationship Patterns
Very Low	0 – 25	Instructive
Low	26 – 50	Consultative
Medium	51 – 75	Participatory
High	76 – 100	Delegative

Source : Halim (2004)

#### 3) Fiscal Decentralization Degree Ratio (DDF)

The Fiscal Decentralization Degree Ratio measures the contribution of locally generated revenue to total regional revenue (Wulandari, 2001). Fiscal decentralization aims to strengthen local fiscal autonomy by increasing the capacity of regional governments to finance public services through locally generated revenue while reducing dependence on intergovernmental transfers (Hummel & Kusumasari, 2026).

$$DDF = \frac{PAD_t}{TPDt} \times 100\%$$

Description:

DDF : Degree of Fiscal Decentralization

PADt : Regional Original Revenue year t

TPDt : Total Regional Revenue year t

Table 3. Fiscal Decentralization Criteria

DDF Interval Scale	Regional Financial Capability
00,00 – 10,00	Very Low
10,01 – 20,00	Low
20,01 – 30,00	Moderate
30,01 – 40,00	Good
40,01 – 50,00	Very Good
>50,00	Excellent

#### 4) PAD Effectiveness Ratio

The PAD Effectiveness Ratio measures the ability of local governments to realize the targeted locally generated revenue (Halim, 2007). PAD effectiveness indicates the success of local governments in achieving planned revenue targets through effective revenue collection strategies (Zakiah, 2022).

$$\text{PAD Effectiveness} = \frac{\text{Realisasi PAD}}{\text{Target PAD}} \times 100\%$$

Where:

Realized PAD = Actual locally generated revenue

Target PAD = Budgeted locally generated revenue

Table 4. PAD Effectiveness Criteria

Percentage of Financial Performance (%)	Criteria
< 60	Ineffective
60 - 80	Less Effective
81 - 90	Quite Effective
91 - 100	Effective
> 100	Highly Effective

Source : Abdul Halim (2007)

#### 5) Regional Financial Efficiency Ratio (REKD)

The Regional Financial Efficiency Ratio measures the efficiency of local governments in utilizing regional revenue to finance regional expenditure (Halim, 2007). Financial efficiency evaluates whether public expenditures are proportional to the revenues generated and reflects the quality of regional budget management (Purba *et al.*, 2024).

$$\text{REKD} = \times 100\% \frac{\text{Realisasi Belanja Daerah}}{\text{Realisasi Pendapatan Daerah}}$$

Where:

REKD = Regional Financial Efficiency Ratio (%)

Realized Regional Expenditure = Actual regional expenditure

Realized Regional Revenue = Actual regional revenue

Table 5. Regional Financial Efficiency Criteria

Percentage of Financial Performance (%)	Criteria
< 60	Highly Efficient
60 - 80	Efficient
81 - 90	Quite Efficient
91 - 100	Less Efficient
> 100	Inefficient

Source : Abdul Halim (2007)

## 4 | RESULTS AND DISCUSSION

### 4.1 Results

#### 4.1.1 Development of Regional Revenue of Jambi City in 2011–2024

Regional revenue is all local government rights that are recognized as adding to the value of net worth in one budget period. The development of regional revenue shows the ability of local governments to collect sources of revenue to finance the implementation of government and regional development.

Table 6. Development of Regional Revenue of Jambi City in 2011–2024

Year	Regional Revenue (in billions of rupiah)	Development (%)
2011	869,97	-
2012	1.083,92	24,59
2013	1.164,35	7,42
2014	1.320,65	13,42
2015	1.387,22	5,04

2016	1.571,33	13,27
2017	1.500,63	-4,50
2018	1.624,88	8,28
2019	1.699,54	4,59
2020	1.621,83	-4,57
2021	1.652,95	1,92
2022	1.668,66	0,95
2023	1.539,45	-7,74
2024	1.821,42	18,32
	Average	6,23

Source: Data processed, 2025

Jambi City's regional revenue during the 2011-2024 period shows a tendency to increase despite fluctuations in certain years. The value of regional revenue increased from Rp869.97 billion in 2011 to Rp1,821.42 billion in 2024. The average growth of regional income reached 6.23 percent per year. The highest growth occurred in 2012 at 24.59 percent which shows a significant increase in regional revenue compared to the previous year. The increase can be caused by increased revenues from Regional Original Revenue (PAD), central government transfer funds, and other legitimate sources of income. On the other hand, the largest decline occurred in 2023 of -7.74 percent, indicating a decrease in regional revenues due to an economic slowdown or a decline in the realization of several revenue components. The decline in revenue also occurred in 2017 by -4.50 percent and in 2020 by -4.57 percent. Especially in 2020, the decline is closely related to the impact of the COVID-19 pandemic which affects people's economic activities, thus having an impact on regional revenues. However, in 2024 regional revenues will increase again by 18.32 percent, indicating a recovery and increase in regional fiscal capacity. These results show that the ability of the Jambi City Government to manage and increase regional revenue is quite good. Despite the annual fluctuations, the long-term trend shows an increase in fiscal capacity that can support the implementation of regional development in a sustainable manner. In accordance with the opinion of Mardiasmo (2018), good regional financial performance is reflected in the ability of local governments to explore local sources of income optimally to finance the implementation of government and regional development.

#### 4.1.2 Development of Regional Expenditure of Jambi City in 2011-2024

Regional expenditure is all local government expenditure used to fund the implementation of government affairs that are the authority of the region. The level of development of regional expenditure describes the extent to which local governments allocate financial resources to meet the needs of public services and development.

Table 7. Development of Regional Expenditure of Jambi City in 2011-2024

Year	Regional Expenditure (in billions of rupiah)	Development (%)
2011	856,74	-
2012	1.025,95	19,75
2013	1.151,39	12,23
2014	1.277,95	10,99
2015	1.426,80	11,65
2016	1.526,71	7,00
2017	1.496,30	-1,99
2018	1.578,60	5,50
2019	1.661,36	5,24
2020	1.667,72	0,38
2021	1.740,36	4,36
2022	1.622,85	-6,75
2023	1.627,52	0,29
2024	1.832,22	12,58
	Average	6,24

Source: Data processed, 2025

The development of regional spending in Jambi City during 2011-2024 also shows an increasing trend with an average growth of 6.24 percent per year. The value of regional expenditure increased from Rp856.74 billion in 2011 to Rp1,832.22 billion in 2024. The highest spending growth occurred in 2012 at 19.75 percent while the largest decline occurred in 2022 at -6.75 percent. The increase in regional spending at the beginning of the study period shows an increase in development activities and public services carried out by local governments. This is in line with the increase in regional income available to finance various programs and activities.

In 2017, regional spending decreased by -1.99 percent, while in 2022 it contracted again. The decline can reflect budget efficiency policies, adjustments to development priorities, and regional fiscal conditions that require expenditure control. In 2024, regional spending will increase by 12.58 percent in line with the increase in regional revenue in the same year. This condition shows that increasing regional fiscal capacity is followed by increasing the government's ability to finance development programs and services to the community. The development of regional expenditure that is relatively balanced with the development of regional revenue shows that there is a fairly good budget management. The local government is able to adjust the level of expenditure to the revenue capacity it has so that regional fiscal stability is maintained. This condition is in line with the opinion of Abdul Halim (2014) who stated that good regional financial management is reflected in the ability of local governments to adjust spending to available sources of income so as to create fiscal balance and sustainability of regional development.

#### 4.1.3 Development of Regional Financing in Jambi City in 2011–2024

Regional financing is all financial transactions intended to close the budget deficit or take advantage of the budget surplus. The regional financing component generally comes from the Remaining Budget Calculation (SiLPA), regional loan receipts, and other financing expenditures.

Table 8. Development of regional financing in Jambi City in 2011–2024

Year	Regional Financing (in billions of rupiah)	Development (%)
2011	94,72	-
2012	117,67	24,23
2013	169,73	44,24
2014	151,49	-10,75
2015	0,00	-100,00
2016	89,35	-
2017	127,32	42,50
2018	126,65	-0,53
2019	0,00	-100,00
2020	211,18	-
2021	247,09	17,00
2022	142,09	-42,49
2023	114,56	-19,38
2024	47,05	-58,93
	Average	-18,55

Source: Data processed, 2025

The development of regional financing in Jambi City shows a very volatile pattern compared to regional income and spending. The value of regional financing has changed quite sharply from year to year with an average growth of -18.55 percent. The highest increase occurred in 2013 by 44.24 percent and in 2017 by 42.50 percent. The increase shows an increase in the need for financing to close the budget deficit or utilize available financing sources. On the other hand, in 2015 and 2019 regional financing was recorded at zero rupiah so that the growth reached -100 percent. The high level of financing in 2020 and 2021, which reached IDR 211.18 billion and IDR 247.09 billion, respectively, indicates the use of considerable sources of financing, likely from SiLPA the previous year. This condition can be influenced by changes in regional fiscal policies during the post-pandemic economic recovery period. From 2022 to 2024, regional financing continues to decline with consecutive growth rates of -42.49 percent, -19.38 percent, and -58.93 percent. This decline can be interpreted as a decrease in the dependence of local governments on financing sources to cover budget needs. With the increase in regional income in 2024, the need for financing will also be lower. The decline in regional financing shows a positive condition from the perspective of fiscal independence. The Jambi City Government tends to rely more on regional revenues and transfers received than the use of financing sources as a budget balancing instrument. This condition reflects an increasingly healthy and sustainable fiscal management in the long term.

#### 4.1.4 Analysis of Regional Financial Independence Ratio

The regional financial independence ratio is used to measure the ability of local governments to finance the implementation of government, development, and services to the community by relying on Regional Original Revenue (PAD) compared to central and provincial government transfers. The higher the independence ratio, the lower the level of regional dependence on the central government.

Table 9. Regional Financial Independence Ratio (2011–2024)

Year	PAD	TPT	RKKD (%)	Financial Ability	Relationship Patterns
2011	99,00	603,82	16,39	Very Low	Instructive
2012	113,09	741,68	15,24	Very Low	Instructive
2013	149,04	821,63	18,13	Very Low	Instructive
2014	246,43	852,47	28,90	Low	Consultative
2015	263,93	858,68	30,73	Low	Consultative
2016	287,53	1.178,17	24,40	Very Low	Instructive
2017	397,33	1.013,01	39,22	Low	Consultative
2018	338,89	1.128,71	30,02	Low	Consultative
2019	393,43	1.121,47	35,08	Low	Consultative
2020	355,67	1.074,21	33,10	Low	Consultative
2021	384,73	1.070,42	35,94	Low	Consultative
2022	436,89	1.083,90	40,30	Low	Consultative
2023	415,90	1.000,08	41,58	Low	Consultative
2024	511,03	1.196,17	42,72	Low	Consultative
	Average		30,44	Low	Consultative

Source : Data processed, 2025

The value of the independence ratio of Jambi City during the 2011-2024 period shows a tendency to increase even though it is still in the low category. In 2011 the independence ratio was 16.39 percent with an instructive relationship pattern, which shows that the role of the central government is still very dominant in regional financing. This condition continued until 2013 with ratios of 15.24 percent and 18.13 percent, respectively. A significant increase occurred in 2014 when the independence ratio reached 28.90 percent, then increased to 30.73 percent in 2015. This increase shows a higher growth of PAD compared to transfer receipts. However, the level of regional financial capacity is still in the low category with a pattern of consultative relations, which means that central government intervention is starting to decrease but is still quite dominant. In 2016, the independence ratio decreased again to 24.40 percent due to a larger increase in transfer funds compared to the growth of PAD. Furthermore, in the 2017–2024 period, the independence ratio showed a relatively stable upward trend, from 39.22 percent in 2017 to 42.72 percent in 2024. The highest value will occur in 2024 as the region's ability to finance its fiscal needs through local sources of original income. The average ratio of regional financial independence during the study period was 30.44 percent, which was included in the low category with a pattern of consultative relationships. These results show that although the region's financial capabilities continue to improve, Jambi City still relies on transfer funds from the central and provincial governments to finance the implementation of the government. This is necessary to optimize PAD sources through increasing regional tax revenue, regional levies, and more productive management of regional assets. The results of this study are in line with the theory of fiscal decentralization which states that the level of regional financial independence is reflected in the amount of PAD's contribution to total regional revenue. The higher the contribution of PAD, the more independent a region is in carrying out regional autonomy Mahmudi (2019). The low regional financial independence found in this study indicates that the Jambi City Government still relies considerably on transfer revenues from the central government. Although locally generated revenue has increased over the observation period, its contribution remains insufficient to reduce fiscal dependence significantly. This finding is consistent with Hummel and Kusumasari (2026), who reported that many Indonesian local governments continue to experience relatively low fiscal independence despite improvements in local revenue performance.

#### 4.1.5 Fiscal Decentralization Ratio Analysis

The ratio of the degree of fiscal decentralization is used to measure the contribution of PAD to total regional revenue. This ratio shows the level of the region's ability to finance development needs and public services through sources of income from the regions.

Table 10. Fiscal revenue decentralization ratio for 2011-2024

Year	PAD	TPD	DDF	Financial Ability
2011	99,00	869,97	11,37	Less
2012	113,09	1.083,92	10,43	Less
2013	149,04	1.164,35	12,80	Less
2014	246,43	1.320,65	18,65	Less
2015	263,93	1.387,22	19,02	Less
2016	287,53	1.571,33	18,29	Less
2017	397,33	1.500,63	26,47	Enough
2018	338,89	1.624,88	20,85	Enough

2019	393,43	1.699,54	23,14	Enough
2020	355,67	1.621,83	21,93	Enough
2021	384,73	1.652,95	23,27	Enough
2022	436,89	1.668,66	26,18	Enough
2023	415,90	1.539,45	27,01	Enough
2024	511,03	1.821,42	28,05	Enough
	Average		20,53	Enough

Source : Data processed, 2025

The degree of fiscal decentralization of Jambi City during the 2011-2024 period has fluctuated with an increasing trend. In 2011, the fiscal decentralization ratio of 11.37 percent then decreased to 10.43 percent in 2012. This value shows that the contribution of PAD to total regional revenue is still relatively small, so the region's fiscal capacity is in the category of lacking. The increase began to be seen in the 2013-2016 period with the ratio value moving from 12.80 percent to 18.29 percent. Despite the increase, the region's financial capacity is still relatively lacking because PAD's contribution has not been able to become the main source of regional revenue. A better development occurred in 2017 when the fiscal decentralization ratio reached 26.47 percent, making it in the sufficient category. This condition shows that the role of PAD in the regional revenue structure is increasing. In the 2018-2024 period, the ratio value ranges from 20.85 percent to 28.05 percent, with the highest value occurring in 2024 at 28.05 percent. Overall, the average ratio of fiscal decentralization degrees of Jambi City during the study period was 20.53 percent, which is in the sufficient category. These results show that PAD has made a sufficient contribution to regional income, but has not yet become the dominant source of income. Thus, local governments still need to increase fiscal capacity through optimizing regional tax potential, regional levies, and segregated regional wealth management. The increase in the degree of fiscal decentralization that has occurred in recent years shows that there has been progress in the implementation of regional autonomy. However, the dependence on transfer funds is still quite high so efforts to increase PAD need to be continued to strengthen regional fiscal capacity. The moderate level of fiscal decentralization suggests that PAD has contributed positively to regional revenue; however, fiscal autonomy has not yet reached an optimal level. This finding is consistent with previous studies indicating that local governments in Indonesia continue to face challenges in strengthening fiscal capacity despite improvements in locally generated revenue (Arifin & Rosalia, 2026).

#### 4.1.6 PAD Effectiveness Ratio Analysis

The PAD effectiveness ratio is used to measure the ability of local governments to realize the PAD targets that have been set in the budget. The higher the effectiveness ratio, the better the ability of local governments to achieve revenue targets.

Table 11. Analysis of the PAD effectiveness ratio in 2011-2024

Year	Realization of PAD	PAD Budget	Effectiveness Ratio (%)	Criteria
2011	99,00	78,35	126,35	Highly Effective
2012	113,09	91,18	124,02	Highly Effective
2013	149,04	109,34	136,30	Highly Effective
2014	246,43	175,13	140,71	Highly Effective
2015	263,93	294,54	89,60	Quite Effective
2016	287,53	303,49	94,74	Effective
2017	397,33	320,93	123,80	Highly Effective
2018	338,89	328,90	103,03	Highly Effective
2019	393,43	364,14	108,04	Highly Effective
2020	355,67	403,48	88,15	Quite Effective
2021	384,73	419,56	91,69	Effective
2022	436,89	465,89	93,77	Effective
2023	415,90	515,34	80,70	Less Effective
2024	511,03	545,54	93,67	Effective
	Average		106,76	Highly Effective

Source : Data processed, 2025

The effectiveness ratio of Jambi City's PAD during the 2011-2024 period shows excellent performance. In 2011, the effectiveness ratio reached 126.35 percent, which means that the realization of PAD has successfully exceeded the target that has been set. Similar conditions occurred from 2012 to 2014 with ratios of 124.02 percent, 136.30 percent and 140.71 percent, respectively, all of which were included in the very effective category. In 2015, the effectiveness ratio decreased to 89.60 percent, so it was categorized as quite effective. The decline indicates that the realization of PAD has not been

able to achieve the optimally set targets. However, in 2016 the ratio increased again to 94.74 percent and was in the effective category. From 2017 to 2019 it showed excellent performance with effectiveness ratios of 123.80 percent, 103.03 percent and 108.04 percent, respectively. This condition shows the success of the local government in optimizing PAD revenue so that revenue realization can exceed the budget target. In the pandemic period and post-pandemic, the effectiveness of PAD fluctuates. In 2020, the ratio was recorded at 88.15 percent (quite effective), in 2021 it was 91.69 percent (effective), in 2022 it was 93.77 percent (effective) and in 2023 it dropped to 80.70 percent (less effective). The decline in 2023 shows that the PAD target set has not been optimally realized. However, in 2024 the ratio will again increase to 93.67 percent and is included in the effective category. The average PAD effectiveness ratio during the study period was 106.76 percent, which was included in the very effective category. These results show that the Jambi City Government has good ability to manage and realize PAD resources according to the targets that have been set. The high effectiveness of PAD also indicates the optimal management of regional revenue and the ability of regional apparatus to collect taxes and levies. This condition is in line with the opinion of Mardiasmo (2018). The very high effectiveness ratio demonstrates that the Jambi City Government successfully achieved and exceeded its PAD targets during the study period. This achievement reflects effective revenue planning and collection strategies that support regional fiscal capacity. The very effective PAD realization indicates successful revenue collection strategies implemented by the Jambi City Government. Similar findings were reported by Zakiah (2022), who concluded that improving PAD realization contributes positively to regional fiscal autonomy and local government financial performance. This finding is also consistent with the principles of public financial management proposed by Mardiasmo (2018).

#### 4.1.7 Analysis of Regional Financial Efficiency Ratio

The regional financial efficiency ratio is used to measure the level of efficiency of local governments in using regional revenues to finance regional spending. The lower the efficiency ratio value, the more efficient the regional financial management.

Table 12. Regional financial efficiency ratio in 2011-2024

Year	Regional Spending	Regional Revenue	REKD (%)	Criteria
2011	856,74	869,97	98,47	Less Efficient
2012	1.025,95	1.083,92	94,65	Less Efficient
2013	1.151,39	1.164,35	98,88	Less Efficient
2014	1.277,95	1.320,65	96,76	Less Efficient
2015	1.426,80	1.387,22	102,85	Inefficient
2016	1.526,71	1.571,33	97,16	Less Efficient
2017	1.496,30	1.500,63	99,71	Less Efficient
2018	1.578,60	1.624,88	97,15	Less Efficient
2019	1.661,36	1.699,54	97,75	Less Efficient
2020	1.667,72	1.621,83	102,82	Inefficient
2021	1.740,36	1.652,95	105,28	Inefficient
2022	1.622,85	1.668,66	97,25	Less Efficient
2023	1.627,52	1.539,45	105,72	Inefficient
2024	1.832,22	1.821,42	100,59	Less Efficient
Average			99,65	Less Efficient

The ratio of financial efficiency in Jambi City during the 2011-2024 period shows that conditions are not optimal. In 2011, the efficiency ratio was 98.47 percent, which is included in the category of less efficient. Similar conditions also occurred from 2012 to 2014 with ratios of 94.65 percent, 98.88 percent and 96.76 percent, respectively. The year 2015 showed worse conditions with an efficiency ratio of 102.85 percent, so it was included in the inefficient category. This happens because regional spending is greater than the regional revenue obtained. Similar conditions occurred again in 2020, 2021, and 2023 with ratios of 102.82 percent, 105.28 percent, and 105.72 percent, respectively. Although some years have shown a slow improvement, such as 2016, 2018, and 2022 with a ratio below 98 percent, the overall efficiency level still does not show optimal performance. In 2024, the efficiency ratio will be recorded at 100.59 percent, which is still in the inefficient category. The average ratio of regional financial efficiency during the study period was 99.65 percent, which is included in the category of less efficient. These results show that almost all regional revenues are used to finance regional expenditures so that the available fiscal space is relatively limited. This condition indicates the need for stricter control of regional spending, improvement of the quality of budget planning, and the allocation of spending that is more productive and oriented towards development results. Although PAD realization exceeded the established targets, expenditure efficiency remained relatively low. This finding indicates that successful revenue collection does not automatically lead to efficient budget utilization. Efficient financial management requires not only increasing regional revenue but also improving expenditure quality and budget allocation efficiency (Lewis, 2016; Rusmin *et al.*, 2014).

## 4.2 Discussion

The findings of this study indicate that the financial performance of the Jambi City Government during the period of 2011–2024 has shown both strengths and weaknesses in the context of fiscal decentralization. The analysis reveals that while the region has made significant strides in increasing locally generated revenue (PAD), the overall financial independence remains relatively low, highlighting a continued reliance on transfer funds from the central government. This trend aligns with the observations made by Hummel and Kusumasari (2026), who noted that many local governments in Indonesia struggle with fiscal autonomy despite improvements in revenue collection. Furthermore, the effectiveness of PAD realization in Jambi City indicates a commendable ability to meet or exceed budget targets, reflecting effective revenue collection strategies. However, the persistent inefficiencies in expenditure management, as evidenced by the regional financial efficiency ratio, suggest that increased revenues have not translated into optimal public service delivery. This observation resonates with the findings of Lewis (2016), who emphasized that successful revenue generation does not guarantee efficient budget utilization. Therefore, it is crucial for the Jambi City Government to enhance its fiscal capacity by diversifying revenue sources and improving expenditure planning to foster sustainable regional development. This study contributes to the existing literature by providing a comprehensive evaluation of the financial performance of Jambi City, thereby offering insights for policymakers seeking to strengthen local governance and fiscal management in Indonesia.

## 5 | CONCLUSIONS AND FUTURE WORK

This study analyzed the financial performance of the Jambi City Government during the 2011–2024 period using regional financial growth, regional financial independence, fiscal decentralization, PAD effectiveness, and regional financial efficiency ratios. The findings indicate that the financial performance of Jambi City has shown positive progress, particularly in achieving locally generated revenue (PAD) targets and maintaining a moderate level of fiscal decentralization. These results demonstrate that the local government has been effective in optimizing regional revenue collection. However, the study also reveals that regional financial independence remains relatively low because local government financing still depends substantially on transfer revenues from the central government. In addition, although PAD realization has generally exceeded the established targets, regional expenditure management has not yet reached an optimal level of efficiency. This finding suggests that improvements in revenue performance have not been fully accompanied by more efficient budget utilization. Therefore, the Jambi City Government should strengthen fiscal independence by expanding local revenue sources, improving taxpayer and retribution databases, implementing technology-based revenue collection systems, and enhancing the performance of regional-owned enterprises (BUMD). At the same time, greater attention should be given to expenditure efficiency through more effective budget planning, performance-based budgeting, and stricter expenditure control. These efforts are expected to improve the sustainability of regional financial management and support better public service delivery in the future.

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